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ACRES

report for the year ended October 31, 1969

45 years of service.
1,200 men and
women,
30 disciplines.

record revenues:
26% increase over 1968,
record earnings:
\$1,054,000,
42% increase in
earnings per share.

we plan for an annual
growth of about 20%.

40% from international
work.
power development
work in the U.S.A.
Acres American in
Niagara Falls,
New York.

Hedlin, Menzies
& Associates Ltd.
Acres Management
Services

International Capital
Corporation

the Acres building
20 Victoria Street
Toronto, Ontario.

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The Future

highlights for the year ended October 31, 1969

In March, 1969, we celebrated 45 years of service.
Acres people now number 1,200 men and
women,
with experience in 30 disciplines.

This year we report record revenues:
of \$17,601,000, a 26% increase over 1968,
and record earnings:
a 65% increase, to \$1,054,000,
at 92¢ per share, a 42% increase in
earnings per share.

In future years, we plan for an annual
growth of about 20%.

New assignments this year included 40% from international
work.

As we continue to concentrate on power development
and on expanding our work in the U.S.A.

we established Acres American in
Niagara Falls,
New York.

We were joined in 1969 by Hedlin, Menzies
& Associates Ltd.
and broadened our consulting base with Acres Management
Services
and entered into
an investment program through International Capital
Corporation

In November, 1968, we opened the Acres building
20 Victoria Street
Toronto, Ontario.

Accountants
Agricultural Resource Specialists
Agriculture Economists
Architects
Chemical Engineers
Civil Engineers
Construction Specialists
Electrical Engineers
Electronic Engineers
Engineering Geologists
Environmental Specialists
Financial Specialists
General Economists
General Resource Specialists
Geographers
Geotechnical Engineers
Graphic Designers
Hydraulic Engineers
Management Specialists
Mechanical Engineers
Meteorologists
Mining Engineers
Recreation Specialists
Systems Analysts
Technical Writers
Telecommunication Specialists
Transportation Economists
Transportation Engineers
Transportation Specialists
Urban and Regional Planners

October 31, 1969

We live in a time of ceaseless change. New finds, methods, products, and problems spring up almost faster than people can absorb them. To some this is stimulating, to many, disturbing. To Acres it is a condition to be faced and a challenge to be met—for our task is to define, to plan for, and to help fulfill the needs of the ever-new age.

Forty-five years ago Acres began as an engineering firm, and quickly earned a reputation for excellence in its work. Today we are still a leading engineering firm—and still proud of excellence in all our work—but we are much more besides. We embody roughly 30 disciplines in a group of companies that serves clients in many countries. “No job too little, no job too big” was often the slogan of the local service company—Acres has applied it to the world.

Acres is a consulting group which deals with all forms of engineering, planning, architecture, transportation, communications, business management, economics, and finance. Our projects range from the great Churchill Falls power system to food processing, from computer programming to helping national governments with submissions to the World Bank. We are an ever-ready task force for industry and government.

We strive to achieve the best result at the lowest cost. And while the size and quality of our staff enable us to supply all the services our clients need, we grow only as the need does. We aim to be the best consultant group in the world, not necessarily the biggest. And we intend to have always the world's most talented people, chosen by only one standard—ability.

Our people are our strength, our skill, our greatest potential. We are a “people company”, devoted to serving all people. Hence our deep concern for the well-being of our staff. We try to offer the best employment terms, stock options, pension and insurance plans; we try to promote further education and advancement; and to maintain throughout the company an informal, keen, creative spirit. We try to be a young company, and indeed, on the average, our staff is younger than that of any similar group.

As we have grown we have changed our structure somewhat. Early in 1969 we made a share offering to the public, and welcomed over 1500 new shareholders. Their support now helps us to move ahead steadily, despite tightening money conditions. We also broadened our services by adding Hedlin, Menzies &

Associates Ltd., the foremost Canadian company of consulting economists, and by setting up Acres Management Services Limited, through which we carry our assistance beyond planning and engineering to the building of complete business enterprises. Moreover, we began using a small part of our resources to invest carefully in industrial developments which promise a high return and will, we believe, help to protect and expand our future income.

To further our investments, we took a position in International Capital Corporation Ltd., a merchant-banking firm which specializes in financing worthy developments. Our major partners in I.C.C. are The Royal Bank of Canada and United Corporations Limited. This alliance of financing and engineering mastery makes good sense in today's world, for new projects tend to be highly technical; together with I.C.C. we are able to help guide a new enterprise in all essential ways.

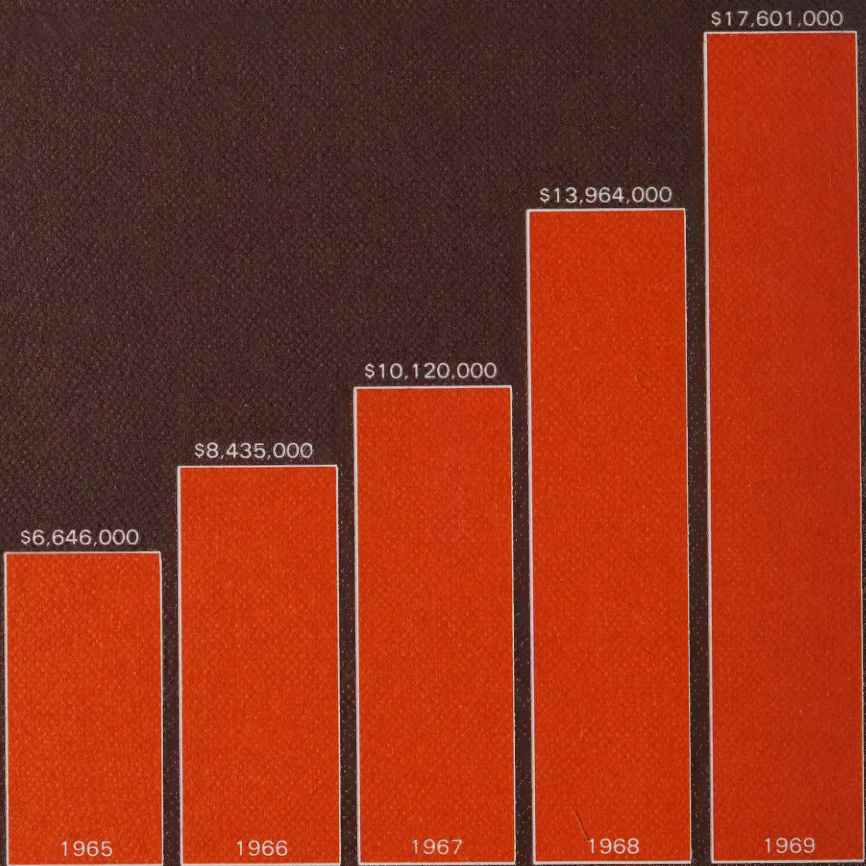
Our past year has been one of planned, successful and continuing growth. The combined activities of our group have brought us substantial earnings. But we are still growing steadily, and because of this your Directors have deemed it wise

to apply those earnings to the securing of our future. A part of them has been used to improve our working base, a part to diversify and broaden our services, another part for investment in industrial developments, and a final part has been retained, prudently, as a reserve. By not paying a dividend now we expect to pay larger dividends later on, as soon as it is feasible—for this part of our policy is under constant review.

Our general policy is to increase, consistently, the value of your Company. We are planning for a sustained growth, with an average growth rate of about 20% a year. We expect that in future 60% of our earnings will come from projects outside Canada, with half that from the United States. This will lessen the effect on us of economic restraints in any part of the world. Our outlook for the period just ahead is good, in spite of tight money and government cuts. Much of our present income is from work on power-supply projects, and we see only an increasing demand for that service. We go ahead firmly, secure in the plain good sense of serving vital needs.

C.N. Simpson, President

Revenues
from
Professional
Services



Net
Income



Acres Limited
Financial Statements

for the year ended October 31, 1969

Auditors' Report

To the Shareholders of Acres Limited:

We have examined the consolidated financial position of Acres Limited as at October 31, 1969 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1969 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada
December 11, 1969

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated Statement of Income and Retained Earnings

		(000 omitted)	
Income:		1969	1968
Revenue from professional services		\$17,601	\$13,964
Operating expenses		15,431	12,684
Depreciation		171	132
Interest—long term debt		49	47
—short term debt		32	46
		15,683	12,909
Net income before income taxes		1,918	1,055
Income taxes (note 2)		864	416
Net income		\$ 1,054	\$ 639
Income per share		92¢	65¢
Income per share has been calculated on the basis of the weighted average number of common shares outstanding during the period.			
Retained Earnings:			
Balance at beginning of year		\$ 1,930	\$ 1,614
Net income		1,054	639
		2,984	2,253
Dividends paid—in cash (note 7)		48	128
—in preference shares		177	195
Special tax payments (note 7)		31	—
Expenses of share issue (after income tax reduction of \$35,000)		30	—
		\$ 2,698	\$ 1,930

Acres Limited

Financial Statements

for the year ended October 31, 1969

Consolidated Statement of Financial Position

Assets	(000 omitted)	
	1969	1968
Cash	\$ 92	\$ 44
Short term investments at market value	121	—
Accounts receivable from clients	2,574	1,753
Services rendered for clients—unbilled	1,881	1,805
Other current assets	264	293
Current assets	4,932	3,895
Investment in joint venture operations at cost		
plus undistributed earnings	961	373
Other investments, at cost	431	—
Fixed assets (note 5)	2,200	1,615
Deferred expenses	333	157
Excess of carrying value of subsidiary companies over the depreciated cost of their net tangible assets	1,796	946
	<u>\$10,653</u>	<u>\$ 6,986</u>
Liabilities		
Bank indebtedness (note 3)	\$ 323	\$ 655
Accounts payable and accruals	1,207	743
Income and other taxes currently payable	128	298
Current liabilities exclusive of deferred income taxes	1,658	1,696
Deferred income taxes relating to current assets (note 2)	1,998	1,592
Current liabilities including deferred income taxes relating to current assets	3,656	3,288
Deferred income taxes relating to non-current assets (note 2)	669	235
Long term debt (note 4)	606	640
	<u>4,931</u>	<u>4,163</u>
Minority interest in subsidiary	27	—
Shareholders' Equity		
Preference shares (note 6)	—	786
Common shares (note 6)	2,997	107
Retained earnings	2,698	1,930
	<u>5,695</u>	<u>2,823</u>
	<u>\$10,653</u>	<u>\$ 6,986</u>

**Consolidated
Source &
Use of Funds**

		(000 omitted)	
Source of Funds		1969	1968
<i>Operations—</i>			
Net income		\$ 1,054	\$ 639
Deferred income taxes relating to non-current assets		434	16
Depreciation		171	132
Income of joint venture operations not yet distributed		(593)	(142)
Expenditures applicable to income of future years		(176)	(79)
Other non-cash income		—	(26)
Funds from operations		890	540
Issue of common shares		2,890	62
Other		—	107
		3,780	709
Use of Funds			
Investment in related companies and joint ventures (non-current)		865	84
Other investments		431	—
Fixed assets acquired (net)		679	368
Repayment of long term debt		65	53
Redemption of preference shares		963	119
Dividends		47	128
Other		61	—
		3,111	752
Increase (decrease) in excess of current assets over current liabilities including deferred income taxes relating to current assets		669	(43)
Deferred income taxes relating to current assets		406	300
Increase in excess of current assets over current liabilities exclusive of deferred income taxes		\$ 1,075	\$ 257

On behalf of the Board:

C.N. Simpson, Director

R.A. Pillman, Director

Acres Limited
Financial Statements

for the year ended October 31, 1969

**Consolidated
Statement of
Financial
Position**

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On behalf of the Board:

C.N. Simpson, Director

R.A. Pillman, Director

Acres Limited
Notes To Consolidated
Financial Statements
for the year ended October 31, 1969

1. Accounting Principles:

The consolidated financial statements include the accounts of all of the Company's subsidiaries. The Company's share of the net profit of joint venture operations (on an "after-tax" basis when carried on as limited companies) is added to income as it is earned by those operations. Other investments are carried at cost which approximates underlying asset value. Profit on contracts in process is recorded on the percentage of completion method.

2. Deferred Income Taxes:

Certain of the subsidiary companies, with the approval of the income tax authorities, report their income for Federal and Ontario tax purposes on a cash basis, thus deferring taxes charged against income which would otherwise be payable. Taxes are also deferred to future periods because of timing differences in the recording for taxation and for accounting purposes of depreciation and certain other items of revenue and expense. Under both existing income tax law and that proposed by the federal government on November 7, 1969 no material reduction in deferred income taxes is likely to take place so long as operations continue at present or increased levels.

3. Commitments:

- a) The bank indebtedness is secured by a general assignment of accounts receivable.
- b) The Company and its subsidiaries have leases of real property and equipment for varying terms of up to a maximum of ten years. Rental expense for the year ended October 31, 1969 aggregated \$832,000 and minimum rentals for the succeeding five years will aggregate \$3,202,000.

	(000 omitted)	
	1969	1968
7% mortgage, repayable by monthly instalments of \$7,146 for principal and interest and maturing November 1, 1979	\$622	\$663
Non-interest bearing serial notes (repaid in 1969)	—	30
7.9% loan from the Industrial Development Bank, repayable by monthly instalments of \$1,250 principal plus interest and maturing in 1972	40	—
	662	693
Less current portion included in accounts payable and accruals	56	53
	\$606	\$640

5. Fixed Assets:

	(000 omitted)			
	1969		1968	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 62	\$ —	\$ 62	\$ 62
Buildings	1,426	386	1,040	1,068
Equipment	1,176	518	658	284
Leasehold improvements	590	150	440	201
	\$3,254	\$1,054	\$2,200	\$1,615

6. Capital Stock:

Authorized:

2,000,000 common shares without par value

Issued:	1969		1968	
	No. of shares	(\$000)	No. of shares	(\$000)
Class A preference shares	—	—	591,088	591
Class B preference shares	—	—	195,301	195
				786
Common shares	1,172,200	2,997	93,000	107
		<u>2,997</u>		<u>\$893</u>

During the year the Company:

a) Paid a stock dividend of 1.9 Class B preference shares per common share (176,700 Class B preference shares) on the 93,000 then-outstanding common shares;

b) Obtained supplementary letters patent dated December 30, 1968, converting the Company from a private to a public company, cancelling 918,500 unissued Class A and 627,999 unissued Class B preference shares, subdividing the 100,000 issued and unissued common shares on a 10 for 1 basis and increasing the number of authorized common shares without par value to a total of 2,000,000 shares;

c) Sold pursuant to an underwriting agreement, 200,000 common shares for an aggregate consideration of \$2,068,000;

d) Retired 591,088 Class A and 372,001 Class B preference shares outstanding at their par value (\$1), for an aggregate of \$963,089;

e) Issued 40,000 common shares valued by the directors at \$800,000 in exchange for 70% of the outstanding shares of Hedlin, Menzies and Associates Ltd.

As at October 31, 1969 the Company had reserved 56,500 common shares for issuance upon the exercise of stock options which may be granted to officers and full-time employees of the Company and its subsidiaries, pursuant to a stock option plan adopted on December 17, 1968. Since October 31, 1969 a further 20,000 common shares have been so reserved. The granting of options to

purchase 50,000 such shares at a price of \$9.90 per share and 2,000 shares at \$15.30 per share has been authorized. Such options will be exercisable on a cumulative basis as to 20% each year over a five-year period from the date of granting of the option. Pursuant to the plan, options on the 24,500 remaining shares may be granted at prices not less than 90% of the market price on the day preceding the granting thereof. During the year, options were exercised in respect of 2,200 shares at \$9.90 per share or \$21,780.

7. Cash Dividends and Special Tax Payments:

During the year the Company paid cash dividends of 6% (\$47,000) on the Class A preference shares. In 1968 the Company paid cash dividends of 6% (\$35,000) on the Class A preference shares and 10¢ per share (\$93,000) on the common shares.

The Company and its subsidiaries paid \$30,944 tax under section 105 of the Income Tax Act of Canada during 1969.

8. Transactions Subsequent to the Year-End:

In November, 1969 a subsidiary company's interest in a joint venture operation was sold for an amount in excess of carrying value.

9. Statutory Information:

1969 expenses include remuneration of directors and senior officers of \$568,000.

Financial Insights

Our policy of growth is based on demand—from our clients for more services, from our need to hold and constantly improve our skilled staff, from our responsibility to increase earnings for our shareholders.

The essence of our financial growth in 1969 was the relative increase in our profits over our revenues. More international projects, more Canadian projects, and, in particular, greater undertakings by our expanded Toronto staff—such as the Pilkington glass-plant project, which will continue through 1970—enlarged our revenues. But our profits increased mainly through tighter control of overhead costs and by curtailing operations which did not promise to provide an adequate return on investment. More efficiency was achieved by locating all of our Toronto operations in our new office at 20 Victoria Street. Closer checks were made on the management of projects. Our clients benefited from improved services, our shareholders from increased profits.

Our greater liquidity during the year was helpful. We received roughly \$2,000,000 through a successful underwriting of common shares. Of this, \$930,000 was used to redeem preferred shares. The balance was put into working capital and investment. In this way we avoided the

adverse effects of the current tight-money condition.

The provisions of the White Paper on taxation, if enacted, will increase our taxes somewhat, but should not retard our growth. Its chief effect—if not counteracted by other means—would be to tighten our cash position by preventing us from deferring tax payments through filing our returns on a cash basis, as we do now. In that event we will use other ways of keeping an adequate working capital; but we also intend to make submissions to the Government which may, if accepted, lessen the effect of the change. In any case, our profit picture will not be affected, as we fully record our taxes payable even when we do not have to pay them in any current year.

Of our operating expenses, roughly 80%—over \$1,000,000 a month—is paid to more than 1200 employees, of whom almost all are skilled, and many, highly skilled. The enthusiasm and loyalty of such a staff is vital to a company like ours. We try, in every practical way, to encourage it. Early in 1969, when we became a public company, we issued roughly 50,000 share options to 84 employees. At this time we are planning to issue about another 20,000 options. This is an essential policy, to ensure that our talented people, many of them in their 20's and 30's—feel that Acres is truly their company.

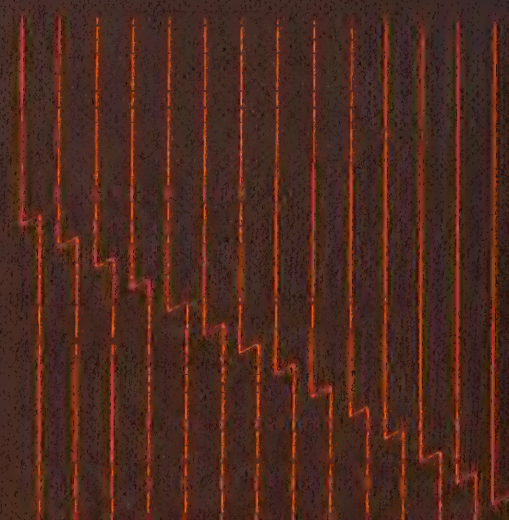


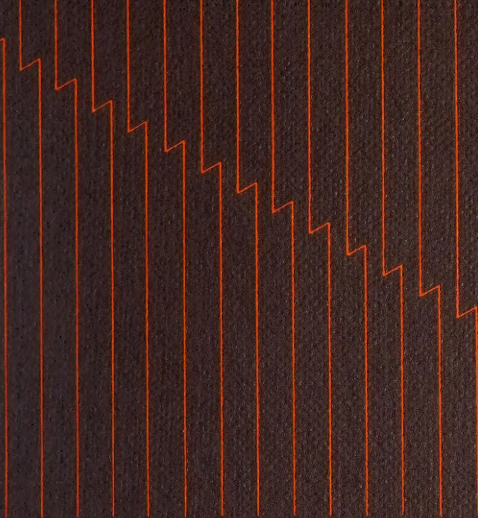


Some Of Our Activities

During 1969 we expanded our electrical power services throughout the world. We opened new offices in Niagara Falls, N.Y., and in Argentina. We were engaged to study the present and future power needs and resources of the New England area. We were invited to discuss the undertaking of an assignment for a major hydro and pumped storage system which may start in 1970 and would be one of the largest developments of its kind. We undertook two major assignments in South America—a 50 Mw thermal power station in Brazil, and a 1250 Mw hydro-electric project in Argentina and Uruguay. We are staffing a strong project team to undertake assignments for major thermal generating stations in Canada and the U.S.A.

We were engaged as general consultants by the East Pakistan Water and Power Development Authority, with the approval of the World Bank.



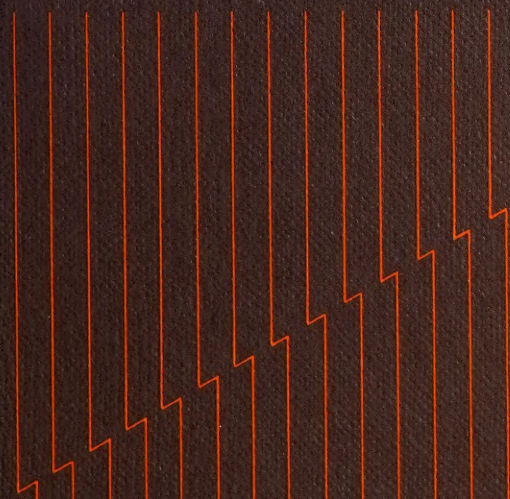


We established an Aviation Services group in Ottawa to apply, to further projects, the experience gained from our work on the Calgary airport and the proposed new international facilities in Brazil.

Our industrial work during 1969 included projects for Dofasco, Shell Canada, Dow Chemical, Union Carbide, and the Ford Motor Company of Canada. For the Pilkington glass plant we provided full project management and engineering services.

We engaged in the study of an Arctic base for shipping and supply; and a study of the feasibility—with commercial analysis—of the Edmonton Omniplex.

Work on the huge Churchill Falls project continued on schedule, in spite of the tragic air crash which took the lives of a number of our associates. This sharp reminder of the fleetingness of life made us more resolved than ever to employ our activities and the quality of our work for the good of Canadians and people everywhere.



Acres Limited

Head Office:

20 Victoria Street, Toronto, Ontario

Board of Directors

C. Norman Simpson,	B.Sc., P.Eng.
Ronald L. Clinch,	B.Sc., P.Eng.
Donald H. MacDonald,	B.A.Sc., Ph.D., P.Eng.
Ian W. McCaig,	B.Sc., P.Eng.
Frederick W. Patterson,	B.A.Sc., P.Eng.
Raymond A. Pillman,	B.A.Sc., P.Eng.
Hugh C. Rynard,	B.A.Sc., P.Eng.

Corporate Officers

C. Norman Simpson,	President
Ronald L. Clinch,	Vice-President
Hugh C. Rynard,	Vice-President
Andrew Sarlos,	Vice-President and Secretary-Treasurer
J. Gavin Warnock,	Vice-President
Mary MacGirr,	Assistant Secretary

General Counsel

Lash, Johnston, Sheard & Pringle
Foster, Leggat, Colby & Rioux

Bankers

Canada: Canadian Imperial Bank of
Commerce

U.S.A.: Morgan Guaranty Trust Company
of New York

Transfer Agent and Registrar

Canada Permanent Trust Company

Listing

Toronto Stock Exchange



The Future

The effectiveness of all we do depends largely on the excellence of our work. So we intend that the competence of our people—whatever their disciplines or skills—will always be of the highest quality. To ensure this we follow a policy of continually renewing our staff, by the addition of new young members and by the education and re-education of all our people, not only to keep abreast of swiftly-changing technology, but also to foster our people's creative and concerned attitudes toward the problems of our time.

We have an abiding interest in Canada's north, and wish to see that vast region developed in a way that will benefit all Canadians, including those yet unborn.

We are not indifferent to the criticism of our present society by young people, or to their appeal for more human systems and institutions. In 1969 we sponsored and helped establish The C. Norman Simpson Foundation. Its aim is to better the quality of life in the present age. It took over from the Company a year's fellowship for six young people who are studying aspects of Canadian life. We intend to contribute to the Foundation from time to time, and assist its future projects.

The future and success of Acres cannot be separated from what happens to Canada and to the world. For the most part our activities embody the aspirations of men, the kind of life they desire, their hope for improvement through technology, the problems created by change. We have a great opportunity and a profound obligation. We serve ourselves by serving all mankind.

The ACRES Group

Acres Limited	Toronto, Ontario
Acres Consulting Services Limited	Toronto and Niagara Falls, Ontario
Acres American Incorporated	Niagara Falls, New York
Acres Atlantic Limited	Halifax, Nova Scotia
Acres InterTel Limited	Ottawa, Ontario
Acres Quebec Limited	Montreal, Quebec
Acres Western Limited	Vancouver, British Columbia; Edmonton and Calgary, Alberta
H. G. Acres Limited	Toronto and Niagara Falls, Ontario
Acres International Limited	Toronto and Niagara Falls, Ontario
Acres International (Overseas) Limited	Nassau, Bahamas
Hedlin, Menzies & Associates Ltd. *	Toronto, Ontario; Winnipeg, Manitoba and Vancouver, British Columbia
Hedlin Menzies de Mexico, S.A. *	Mexico City
Acres Management Services Limited	Toronto, Ontario
L + W Data Systems Limited	Toronto, Ontario
Acres Creative Investments Limited	Toronto, Ontario

* 70% Owned

Project Offices Abroad

Dacca, East Pakistan
Vientiane, Laos
Bangkok, Thailand
Cali, Colombia
Ankara, Turkey
Buenos Aires, Argentina
Sao Paulo, Brazil